

COMMITTEE ON LEGISLATIVE RESEARCH  
 OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1058-01  
Bill No.: HB 507  
Subject: Education, Elementary and Secondary: Science and Technology  
Type: Original  
Date: February 19, 2001

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
All State Funds	(\$0 to \$10,025,000)	(\$0 to \$10,000,000)	(\$0 to \$10,000,000)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$0 to \$10,025,000)</b>	<b>(\$0 to \$10,000,000)</b>	<b>(\$0 to \$10,000,000)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>Local Government</b>	<b>\$0</b>	<b>(\$0 to \$5,000,000)</b>	<b>(\$0 to \$5,000,000)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

**FISCAL ANALYSIS**

## ASSUMPTION

Officials from the **Secretary of State's Office (SOS)** assume the rules, regulations and forms issued by the Department of Elementary and Secondary Education could require as many as 14 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$861 for FY 2002. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

**Department of Revenue (DOR)** officials state this legislation allows a state income tax credit equal to 50% (75% of donations to schools which have a high percentage of high risk students) of donations of high technology equipment made to a school district. Another tax credit is authorized for donations made to a school district library. This tax credit is equal to 50% of the donations.

These tax credits are not to exceed \$5,000 per donor. The credits are not refundable, may not be carried back or forward and are not transferrable. The total amount of each credit would not exceed \$5,000,000 (\$10,000,000 total).

### **ADMINISTRATIVE IMPACT:**

The number of taxpayers eligible for this tax credit is unknown at this time. If the credit is not certified or verified by the Division of Taxation, one temporary tax season employee (\$8.00 an hour) will be needed for every 75,000 returns filed with this credit. The Division of Taxation would also need one Tax Processing Tech I for every 30,000 income tax errors and one Tax Processing Tech I for every 3,000 additional pieces of correspondence generated by this legislation. The Division of Taxation, Business Tax Bureau, would need one Tax Processing Tech I for every 3,680 credit claims filed.

If the number of credits claims reaches the abovementioned volumes the Department of Revenue will request FTE through the normal budget process.

## ASSUMPTION (continued)

This legislation would require modifications to the individual income tax system. The Division

of Taxation estimates these modifications, including programming changes, would require 1,384 hours, at a cost of \$46,170. Modifications to tax returns and schedules would be completed with existing resources. State Data Center charges would increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 would be requested for implementation.

Officials of **Department of Elementary and Secondary Education** would request a Supervisor to develop rules and regulations for the tax credits and to work with DOR in developing the tax credit form and procedures for issuing credits. Costs to the General Revenue Fund would be about \$73,000 per year.

**Oversight** assumes that developing rules, forms and procedures would be one-time efforts and notes that Department of Elementary and Secondary Education officials indicated in their response to SB 623 (Fiscal Note 2522-01) from the 2000 legislative session that they could perform these one-time tasks for a cost of less than \$25,000 using existing personnel. Therefore, this fiscal note will reflect that estimate.

Oversight notes that the definition of "business" is that contained in the Neighborhood Assistance Act and assumes that the number of eligible businesses would be less than 200,000. The maximum credit any one business could take is \$5,000 (for each credit); therefore 100 businesses, theoretically, could use up both credits.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>ALL FUNDS</b>			
<u>Loss</u> - Tax Credits	(\$0 to \$10,000,000)	(\$0 to \$10,000,000)	(\$0 to \$10,000,000)
<u>Cost</u> - Department of Elementary and Secondary Education: rules, forms and procedures	(\$0 to \$25,000)		
<b>ESTIMATED NET EFFECT ON ALL FUNDS</b>	<u><b>(\$0 to \$10,025,000)</b></u>	<u><b>(\$0 to \$10,000,000)</b></u>	<u><b>(\$0 to \$10,000,000)</b></u>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>SCHOOL DISTRICTS</b>			
<u>Loss</u> - County Foreign Insurance Premium Fund	\$0	(\$0 to \$5,000,000)	(\$0 to \$5,000,000)
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICTS</b>	<u><b>\$0</b></u>	<u><b>(\$0 to \$5,000,000)</b></u>	<u><b>(\$0 to \$5,000,000)</b></u>

FISCAL IMPACT - Small Business

Small businesses which would make donations would incur costs donations and receive tax credits for making donations.

### DESCRIPTION

This proposal would authorize tax credits to certain business firms who donate high technology equipment to school districts or who donate cash to school district libraries. The tax credit will be 50% of the donation not to exceed \$5,000. Donations to certain high-risk student school districts will receive a credit of 75% of the donation not to exceed \$5,000. Credits would not be refundable, could not be carried forward, and could not be transferred. Taxpayers could use credits against taxes due under chapter 143 (Income Tax), chapter 147 (Franchise Tax), or chapter 148 (Financial Institution Taxes). Business could take tax credits for tax years beginning after December 31, 2000 and before January 1, 2005. The total amount of tax credits for each of the two credits would be \$5,000,000. (Total tax credits would be \$10,000,000.)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. The proposal could affect Total State Revenue.

### SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Department of Revenue  
Secretary of State



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Director  
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